Theatre Communications Group, Inc.

Independent Auditor’s Report and Financial Statements

June 30, 2018

Theatre Communications Group, Inc.
June 30, 2018

Contents

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Independent Auditor's Report

Board of Directors
Theatre Communications Group, Inc.
New York, New York

We have audited the accompanying financial statements of Theatre Communications Group, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Theatre Communications Group, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report thereon, dated November 7, 2017, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

New York, New York
November 19, 2018

Theatre Communications Group, Inc.

Statement of Financial Position

June 30, 2018

(With Summarized Financial Information for June 30, 2017)

	2018	2017
Assets		
Cash and cash equivalents	$ 448,208	$ 54,143
Investments	6,047,139	5,543,982
Accounts receivable, net of allowance – 2018 and 2017 – $15,000	397,342	483,813
Grants and contributions receivable	744,079	2,024,237
Prepaid expenses and other receivables	143,393	93,859
Inventory	825,602	875,632
Website development, net	679,096	758,990
Property and equipment, net	11,816	22,714
Total assets	$ 9,296,675	$ 9,857,370
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 898,021	$ 860,040
Deferred subscriptions and registration fees	1,720,406	1,670,344
Note payable	-	85,363
Deferred lease payments	139,290	139,114
Deferred compensation payable	-	27,156
Total liabilities	2,757,717	2,782,017
Net Assets		
Unrestricted	1,654,192	1,638,378
Temporarily restricted	3,733,730	4,285,939
Permanently restricted	1,151,036	1,151,036
Total net assets	6,538,958	7,075,353
Total liabilities and net assets	$ 9,296,675	$ 9,857,370

Theatre Communications Group, Inc.

Statement of Activities

Year Ended June 30, 2018

(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Revenues, Gains and Other Support					
Government grants	$ 75,000	$ 85,000	$ -	$ 160,000	$ 135,000
Foundation contributions	246,000	1,900,000	-	2,146,000	1,070,500
Corporation contributions	10,000	77,800	-	87,800	141,400
Individual contributions	305,730	11,215	-	316,945	426,802
In-kind contributions	1,100	10,000	-	11,100	-
Special event	164,947	-	-	164,947	231,307
Book sales	2,248,978	-	-	2,248,978	1,886,488
Periodical sales	975,273	-	-	975,273	1,096,063
Individual membership	326,597	-	-	326,597	293,697
Affiliates' membership	108,221	-	-	108,221	154,550
Theatre registration fees	1,721,616	-	-	1,721,616	1,709,099
Conferences	393,860	-	-	393,860	476,801
Investment income, net	68,769	37,042	-	105,811	313,569
Other revenues	48,126	-	-	48,126	35,024
Net assets released from restrictions	2,673,266	(2,673,266)	-	-	-
Total operating revenues, gains and other support	9,367,483	(552,209)	-	8,815,274	7,970,300
Expenses					
Program services	8,243,863	-	-	8,243,863	8,941,374
Administration	592,129	-	-	592,129	595,108
Development	484,988	-	-	484,988	780,496
Direct costs of special event	30,689	-	-	30,689	52,293
Total expenses	9,351,669	-	-	9,351,669	10,369,271
Change in Net Assets	15,814	(552,209)	-	(536,395)	(2,398,971)
Net Assets, Beginning of Year	1,638,378	4,285,939	1,151,036	7,075,353	9,474,324
Net Assets, End of Year	$ 1,654,192	$ 3,733,730	$ 1,151,036	$ 6,538,958	$ 7,075,353

Theatre Communications Group, Inc.

Statement of Cash Flows

Year Ended June 30, 2018

(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
Operating Activities		
Change in net assets	$ (536,395)	$ (2,398,971)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	10,898	14,523
Amortization of website development costs	79,894	39,947
Net realized and unrealized gain on investments	(9,429)	(190,779)
Changes in		
Accounts receivable	86,471	(128,663)
Grants and contributions receivable	1,280,158	502,825
Prepaid expenses and other receivables	(49,534)	(5,241)
Inventory	50,030	28,740
Accounts payable and accrued expenses	37,981	50,096
Deferred subscriptions and registration fees	50,062	(50,893)
Deferred lease payments	176	11,402
Deferred compensation payable	(27,156)	(44,082)
Net cash provided by (used in) operating activities	973,156	(2,171,096)
Investing Activities		
Purchase of investments	(2,277,719)	(2,959,483)
Proceeds from sales of investments	1,783,991	5,056,209
Website development costs	-	(481,525)
Purchases of property and equipment	-	(8,230)
Net cash provided by (used in) investing activities	(493,728)	1,606,971
Financing Activities		
Proceeds from note payable	768,792	944,302
Repayments to note payable	(854,155)	(858,939)
Net cash provided by (used in) financing activities	(85,363)	85,363
Increase (Decrease) in Cash and Cash Equivalents	394,065	(478,762)
Cash and Cash Equivalents, Beginning of Year	54,143	532,905
Cash and Cash Equivalents, End of Year	$ 448,208	$ 54,143
Supplemental Cash Flows Information		
Interest paid on note payable	$ 18,792	$ 14,245

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Theatre Communications Groups, Inc. (TCG or the Organization), the national organization for the American theatre, was organized in 1961. Its mission is to strengthen, nurture and promote the professional not-for-profit American theatre. Through a wide array of programs, publications and services, TCG seeks to increase the organizational efficiency of its member theatres, cultivate and celebrate the artistic talent and achievements of the field, and promote greater public understanding of and appreciation for the theatre field. TCG's primary sources of revenues are support from contributions, book and periodical sales and theatre registration fees.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2018, the Organization's cash accounts exceeded federally insured limits by approximately $424,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains a pooled investment account for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment account is allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment account, as adjusted for additions to or deductions from those accounts.

Accounts Receivable

Accounts receivable for dues are recorded at the beginning of the fiscal year and receivables that result from sales are recorded at the time of the sale.

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables are charged to bad debt expense when they are deemed to be uncollectible based upon a periodic review of the accounts by management. Interest is not accrued or recorded on outstanding receivables.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The estimated useful lives for furniture and equipment ranges from three to ten years.

Website Development

TCG enhanced and migrated the organization website and customer service database systems to better service its members. Costs relating to the planning stage of website development projects as well as ongoing website operating and support costs are expensed as incurred. Costs of developing the software to operate the website are capitalized and amortized over its useful life of ten years.

As of June 30, 2018, accumulated amortization is $119,841.

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2018.

Net Assets

For the purposes of financial reporting, the Organization classifies resources into three net asset categories pursuant to any donor-imposed restrictions applicable to law. Accordingly, the net assets of the Organization are classified in the accompanying financial statements in the categories that follow:

Unrestricted net assets are not subject to donor-imposed restrictions. Included in unrestricted net assets:

- Program reserve fund, which the governing board, rather than a donor, established in 1979 and has designated for working capital reserve fund. From time to time, the Board approves expenditures out of this fund. As of June 30, 2018, the Program reserve fund was $658,895.

- Appreciation on the permanently restricted endowment fund has been set aside as a board-designated endowment fund (See Note 6).

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restricted is accomplished, temporarily restricted net asset are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The donor may or may not restrict the use of investment income.

Permanently restricted net assets have been restricted by the donor to be maintained by the Organization in perpetuity. Generally, donors of these assets require the Organization to maintain and invest the original contribution in perpetuity, but permit the use of some or all investment returns for general or specific purposes.

Revenue Recognition

Revenues are recognized as follows:

- Membership dues – when earned
- Theatre registration fees and conferences – at the time that the event occurs
- Subscription revenues – included in periodical sales, are recognized over the term of the subscription period
- Book and periodical sales – recognized at the time of the sale

Grants and Contributions

The Organization records cost reimbursement grants from contracting agencies based upon claims for expense reimbursements and program utilization at contracted rates.

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. The resulting discount is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of professional services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount.

Inventory

Inventories consist of books. Costs of books are determined using the first-in, first-out (FIFO) method. FIFO inventories are stated at the lower of cost and net realizable value for 2018.

Deferred Subscriptions and Registration Fees

Revenue from subscriptions and registration fees for future periods is deferred and recognized over the periods to which the subscriptions and fees relate.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs, administration and development – fundraising categories based on labor allocations.

Subsequent Events

Subsequent events have been evaluated through November 19, 2018, which is the date the financial statements were available to be issued.

Note 2: Grants and Contributions Receivable

Grants and contributions receivable consisted of the following at June 30, 2018:

	Unrestricted	Temporarily Restricted	Total
Due within one year	$ 99,625	$ 500,675	$ 600,300
Due in one to five years	-	143,779	143,779
	$ 99,625	$ 644,454	$ 744,079

Note 3: Property and Equipment

	At Cost	Accumulated Depreciation and Amortization	Net
Furniture and equipment	$ 1,615,254	$ 1,603,438	$ 11,816
Leasehold improvements	330,726	330,726	-
	$ 1,945,980	$ 1,934,164	$ 11,816

Note 4: Note Payable

The Organization has a bank line of credit with UBS Bank, secured by the value of the investment portfolio. The borrowing limit is based on a portion of the Organization's investments. At June 30, 2018, the available amount on the line was $1,000,000. The Organization is required to pay back, by the end of the fiscal year, all the borrowed funds except for $250,000 of principal. The interest rate on this line was 4.34% at June 30, 2018. At June 30, 2018, there was no outstanding balance. Interest expense for the year ended June 30, 2018 was $18,792.

Note 5: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 are available for the following purposes:

Audience Revolution	$	1,375,375
Equity, Diversity and Inclusion Initiative		1,016,459
Resident Actor Fellowships		289,489
Global Connections		280,642
Communications and Publicity		280,000
Leadership University		226,974
Time restricted		191,143
Veterans Theatre Institute		18,263
Fund for the American Theatre		16,179
Alan Scheider Fund		14,155
Fall Forum Support		10,050
Blue Star Theatres		10,000
Royalty Software		5,000
	$	3,733,730

Audience Revolution Program is a multi-year program designed by TCG and funded by the Doris Duke Charitable Foundation to study, promote and support successful audience engagement models across the country. Now in round three, this program will focus on audience engagement and community development as they relate to theatre for young and multigenerational audiences. The program includes three components unfolding over three years to achieve these goals: a national learning convening, grant-making and widespread dissemination of audience engagement models that work.

Equity, Diversity and Inclusion Institute Program TCG's strategic plan includes a multi-year, Equity, Diversity and Inclusion (EDI) Initiative to transform the national theatre field into a more equitable, inclusive and diverse community. While these efforts are currently focused on racial and cultural diversity, TCG takes an intersectional approach to identity and equity that infuses all of our programming. A significant focus of the EDI program is a series of national cohorts which are funded by the Andrew W. Mellon Foundation, along with additional regional partners including the Hearst Foundation.

Resident Actor Fellowship Program was designed by TCG and is funded by the Fox Foundation. The fellowship is for actors that support their artistic and professional growth in collaboration with a TCG Member theatre.

Global Connections Program was designed by TCG and is funded by The Andrew W. Mellon Foundation. It is made up of two initiatives: On the Road will foster new relationships with international colleagues that will inspire each other's work and aesthetics by creating opportunities for cultural exchange. In the Lab will further pre-existing international collaborations by supporting residencies that either advance the development of a piece or explore elements leading up to a full production. To date, many U.S.-based theatre organizations and individual artists have made substantial strides in learning and developing projects with colleagues abroad.

The Leadership University Program was designed by TCG and is funded by The Andrew W. Mellon Foundation. The overall intent of this program is to strengthen the field by developing the individuals who are the core and future of theatre. This new program provides support in three initiatives: One-on-One for early-career leaders; Continuing Ed for mid-career and veteran professionals; Serving the Field to support the staff of TCG by providing professional development opportunities to advance TCG's mission-driven programs and services.

Permanently Restricted Net Assets

During 1992, the Ford Foundation awarded a grant of $1,000,000 to establish an endowment fund. In addition, other endowment contributions totaling $151,036 have been received in subsequent years. The principal is restricted, but investment income may be used to further the goals of TCG. In fiscal year 2009, the Board approved its current policy of a forward-funded, three-year, six-percent, rolling-average spending rate on its investment drawdown, to be transferred to the operating fund.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Leadership University	$ 642,126
Audience Revolution	463,539
National Conference	362,149
Equity, Diversity and Inclusion Initiative	359,133
Resident Actor Fellowships	341,495
Communications and Publicity	187,500
Time restricted	131,750
Global Connections	102,360
Veterans Theatre Institute	28,615
Fall Forum Support	21,500
Alan Scheider Fund	14,299
Publications	10,000
Scholarship	8,800
	$ 2,673,266

Note 6: Endowment

The Organization’s endowment consists of individual funds established to support activities or the Organization. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization’s governing body has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets by type of endowment fund at June 30, 2018, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	$ -	$ -	$ 1,151,036	$ 1,151,036
Board-designated endowment fund	889,305	-	-	889,305
	$ 889,305	$ -	$ 1,151,036	$ 2,040,341

Changes in endowment net assets for the year ended June 30, 2018, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 919,261	$ -	$ 1,151,036	$ 2,070,297
Interest and dividends	22,106	27,679	-	49,785
Net realized and unrealized gains	29,857	37,384	-	67,241
Investment fees	(8,979)	(11,243)	-	(20,222)
Transfer for operations	(126,760)	-	-	(126,760)
Appropriation for expenditure	53,820	(53,820)	-	-
Endowment net assets, end of year	$ 889,305	$ -	$ 1,151,036	$ 2,040,341

Fiscal year 2017 has been revised to appropriately disclose the unrestricted board designated endowment, which was previously omitted.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or NYPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There was no deficiency at June 30, 2018.

The Organization has adopted investment and spending policies for endowment assets to support its mission over the long term. It is intended that the fund grow through additional fundraising and through reinvestment of earnings not taken out for operations.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy (the spending policy) of appropriating for expenditure each year 6% of its endowment fund's average fair value over the prior three years through the year end preceding the year in which expenditure is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 7: Operating Leases

Noncancellable operating lease for office space expires on November 30, 2022. The lease has an escalation clause. Rent is recognized on the straight-line basis over the term of the lease. Deferred rent is recorded for the difference between the payment and the rent expense. At June 30, 2018, deferred rent liability was $139,290 and rent expense for the year ended June 30, 2018 was $533,180.

Future minimum lease payments under operating leases are:

2019	$	471,790
2020		483,585
2021		495,675
2022		508,066
2023		213,868
	$	2,172,984

Note 8: Pension and Retirement Plans

The Organization has a defined contribution pension plan covering substantially all employees who satisfy age and service requirements. The Organization suspended contributions to the plan effective fiscal year 2010.

Note 9: Investments, Investment Return and Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	$ 3,532,072	$ -	$ 3,532,072	$ -
Equities				
Domestic	1,118,847	1,118,847	-	-
International	125,321	125,321	-	-
Mutual funds				
Domestic	278,917	278,917	-	-
	5,055,157	$ 1,523,085	$ 3,532,072	$ -
Money market funds	991,982			
Total investments	$ 6,047,139			

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. There are no investment securities classified within Level 3 of the hierarchy.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Total investment return is comprised of the following:

Interest and dividends	$	138,907
Net realized and unrealized gains on investments reported at fair value		9,429
		148,336
Less investment management fees		42,525
Total investment return	$	105,811

Note 10: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 42% of all contributions were received from two donors in 2018 and approximately 71% of all contributions receivable at June 30, 2018 are due from four donors.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Note 11: Future Accounting Changes

Presentation of Financial Statements for Not-for-Profit Entities

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for annual periods beginning after December 15, 2017.

A summary of the changes by financial statement area most relevant to the Organization are as follows:

Statement of Financial Position

- The statement of financial position will distinguish between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income will be shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of governing board designations and appropriations as of the end of the period are disclosed.

The Organization is evaluating the impact the standard will have on the financial statements.

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

Theatre Communications Group, Inc.

Schedule of Functional Expenses

Year Ended June 30, 2018

	Program Services				Supporting Services				Total
	Member Services	Artistic Programs	Publications	Total	Administration	Development	Direct Costs of Special Event	Total	2018
Salaries, payroll taxes and employee benefits	$ 490,413	$ 1,246,312	$ 1,286,867	$ 3,023,592	$ 412,309	$ 335,001	$ -	$ 747,310	$ 3,770,902
Occupancy	78,458	199,389	207,893	485,740	65,962	53,594	-	119,556	605,296
Consultant fees	68,749	267,452	180,401	516,602	14,931	13,581	-	28,512	545,114
Insurance	5,112	12,991	13,414	31,517	4,298	3,492	-	7,790	39,307
Repairs, maintenance, and supplies	40,488	106,379	106,243	253,110	34,040	27,657	109	61,806	314,916
Administrative expenses	21,051	65,836	55,238	142,125	17,153	13,936	-	31,089	173,214
Awards and fellowships	32,857	764,120	86,219	883,196	-	-	-	-	883,196
Travel, meeting expenses and per diems	80,278	502,141	210,654	793,073	2,379	2,379	30,580	35,338	828,411
Service and registration fees	48,806	150,325	128,070	327,201	-	-	-	-	327,201
Writer fees and royalties	80,713	206,994	211,795	499,502	-	-	-	-	499,502
Printing, typesetting and design fees	94,047	240,590	246,785	581,422	10,605	10,605	-	21,210	602,632
Book seller fees	76,198	193,646	199,948	469,792	-	-	-	-	469,792
Postage and delivery	24,413	65,140	64,062	153,615	20,525	16,677	-	37,202	190,817
Investment management fees	-	-	-	-	42,525	-	-	42,525	42,525
Advertising	1,472	5,242	3,863	10,577	-	-	-	-	10,577
Total expenses before depreciation and amortization	1,143,055	4,026,557	3,001,452	8,171,064	624,727	476,922	30,689	1,132,338	9,303,402
Depreciation and amortization	11,808	30,007	30,984	72,799	9,927	8,066	-	17,993	90,792
Total functional expenses	1,154,863	4,056,564	3,032,436	8,243,863	634,654	484,988	30,689	1,150,331	9,394,194
Less: Investment management fees	-	-	-	-	42,525	-	-	42,525	42,525
Total expenses as reported by function in the statement of activities	$ 1,154,863	$ 4,056,564	$ 3,032,436	$ 8,243,863	$ 592,129	$ 484,988	$ 30,689	$ 1,107,806	$ 9,351,669